BUSINESS PLAN · INDIA

# FMCG Brand (Manufacturer)

*The only sale that happened is the one furthest from you*

FMCG

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## 1. Executive Summary

This plan sets out an **FMCG Brand (Manufacturer)** in India — own-brand consumer-goods manufacturing sold through general trade via distributors, modern trade and organised retail, e-commerce and quick commerce, institutional and HoReCa channels, with surplus capacity offered as private-label production.

> **This plan opens the FMCG vertical and sets the convention the remaining eleven will follow, beginning with the number that misleads more first-time operators than any other in this library: the gross margin.** A brand looks at 45% and believes it has a comfortable business. **It does not, because that margin is earned once and spent three times** — on the retailer's margin, on the distributor's margin, and on the schemes, listings and advertising required to make anyone stock or buy the product at all. **A brand owner who thinks in gross margin is reading the only line in his profit and loss account that flatters him.** On this plan, 43.8% gross margin becomes a Year-1 loss of 10.5%, and reaches a 3.3% net margin only in Year 3.

> **The second convention, and the one that decides whether a brand's reported growth is real, is the distinction between primary, secondary and tertiary sales.** Primary is what the brand sells to its distributor — **and it is what almost every Indian FMCG brand books as revenue.** Secondary is what the distributor sells onward to retailers. Tertiary is what the retailer sells to a consumer — **and that is the only sale that actually happened.** The consequence is uncomfortable and universal: **a brand can grow primary sales for three consecutive quarters without a single additional consumer buying anything. It is simply moving inventory into the channel — and the channel will stop accepting it at precisely the moment the brand most needs it to keep going.** This plan measures rather than assumes: **the secondary-to-primary ratio rises from 0.74 to 0.96, distributors with secondary-sales visibility from 31% to 89%, and channel inventory falls from 62 days to 34.**

> **The third is that the brand must fund the channel long before the channel funds the brand.** Stock goes out on credit, schemes are promised at dispatch and settled months later, listing fees are paid before a single unit sells, and the cash returns sixty to a hundred and twenty days later — **if the product sells at all, and only some of it will. Working capital, not manufacturing capacity, is the binding constraint in this business, and it is the reason well-made products with real demand run out of money.**

> **And the fourth: distribution reach cannot be bought quickly at any price.** A brand with capital and no beat has product in a warehouse. **Reach is built distributor by distributor, town by town, over years — which is why the distributor is not a customer but a financier and a salesman who also works for four other brands, and why a brand competes for his attention and his working capital and loses both to larger companies unless it can show him his own return.** Distributor ROI computed and shared rises from 22% to 84% of relationships, and distributor attrition halves.

This plan models a brand requiring **₹1.64 crore** (₹60 lakh promoter + ₹58 lakh term loan + ₹46 lakh working-capital finance), moving from **₹4.20 crore net sales and a ₹44 lakh loss** to **₹9.74 crore net sales and ₹32 lakh profit** by Year 3 — *and the losses in the first two years are the plan's most honest feature. (Brand-owning consumer-goods manufacturer — figures illustrative.)*

## 2. Business Description, Vision & Legal Structure

**Concept:** An own-brand FMCG manufacturer built on measured secondary sales rather than primary dispatches, disciplined trade spend, and distributor relationships priced on the distributor's return rather than on pressure.

**Vision:** To be the brand whose growth is visible at the retail counter, not just at the depot gate.

**Mission:** Measure what the retailer sold, not what we dispatched; settle every scheme within forty-five days; delist what does not move; never reduce grammage without printing it; and show every distributor what he actually earns from us.

### Legal structure options

- **Private Limited** — recommended: brand ownership, trade financing, distributor contracting, eventual investment.
- **LLP** — workable for a founder-led regional brand.
- **Proprietorship** — common at entry scale; weak for trade credit and modern-trade vendor onboarding.

> **Regulatory anchor:** the FMCG compliance stack is broad, enforceable and largely non-negotiable. **FSSAI licensing and product approval for food categories**, with labelling rules covering ingredients, nutritional declarations, allergens, veg/non-veg marking and date coding. **Legal Metrology packaged-commodity declarations** — MRP, net quantity, manufacturer identity, consumer-care details, country of origin — where errors are commonly found and routinely penalised. **BIS or CDSCO requirements** where the portfolio extends into cosmetics or regulated categories. **Extended Producer Responsibility under the Plastic Waste Management Rules**, which is a real and growing cost that a plan of this kind should carry rather than discover. Alongside these: GST with the input-credit chain running through distributors; ASCI obligations on advertising claims, particularly nutritional ones; and **shelf-life and expiry management, which is simultaneously an operating cost, a consumer-safety duty and — in the returns line — a margin item.**

## 3. Promoter & Ownership

Led by a promoter with FMCG sales, manufacturing or category background. Three competences decide outcomes: *channel arithmetic*, since the difference between a brand that scales and one that stalls is usually whether the founder understands the distributor's economics as well as his own; *trade-spend discipline*, because scheme money is easy to promise and very difficult to reclaim; and *the willingness to delist*, as a portfolio nobody prunes becomes a warehouse of inventory held in hope. Ownership, equity & investor terms are editable inputs.

## 4. Market Analysis — India

Indian FMCG demand is large, growing and fragmenting — regional brands are taking share from national ones in several categories, channel structures are multiplying, and the traditional distribution model now coexists with modern trade, e-commerce and quick commerce, each with different economics.

### Demand drivers

- **Rising consumption** and premiumisation across urban and semi-urban markets.
- **Regional brand success**, where local taste, price point and distribution beat national scale.
- **Quick commerce**, which has created a new and rapidly growing route to the urban consumer.
- **Category expansion** in health, convenience and value-added packaged foods.
- **Contract-manufacturing demand** from D2C brands seeking capacity without capital.

### Market sizing (illustrative framing)

| Layer | Definition | Indicative scale |
|---|---|---:|
| TAM | Indian packaged consumer goods | Very large; category-defined |
| SAM | Chosen categories in served geographies | Beat- and distributor-bounded |

| | | |
|---|---|---|
| SOM (Yr 1–3) | **Outlets billed × throughput per outlet** | 3,200 → 16,400 outlets |

> **The most important number in Indian FMCG is not sales; it is the ratio between what a brand dispatched and what the market actually consumed — and the reason is that only one of those two figures can be inflated at will.** A brand under pressure to show growth can persuade or incentivise distributors to take additional stock: an extra scheme, a quarter-end push, a credit extension. **Primary sales rise, the revenue line looks healthy, and nothing whatsoever has happened in any shop.** The stock sits in the distributor's godown, ages toward expiry, occupies his working capital and eventually comes back as a return or a demand for compensation. **Meanwhile the brand has recognised revenue, paid its team a bonus on it, and told a lender it is growing.** The correction is neither complicated nor expensive: **capture secondary sales through a distributor management system, monitor days of channel inventory, and treat the secondary-to-primary ratio as the growth number rather than the dispatch figure.** This plan takes that ratio from 0.74 to 0.96 and channel inventory from 62 days to 34 — **and the honest way to read those numbers together is that in Year 1 roughly a quarter of what this brand "sold" had not been sold to anybody, which is normal, widely practised, and the single easiest way for a brand of this size to deceive itself.**

### Target segments

- **General trade** via distributors — the volume base and the hardest to build.
- **Modern trade and organised retail**, higher visibility and materially worse terms.
- **E-commerce and quick commerce**, fast-growing with its own cost structure.
- **Institutional and HoReCa**, steady bulk volume at lower margin.
- **Private-label production** for other brands, monetising surplus capacity.

## 5. Competition & Competitive Advantage

**Landscape:** national FMCG majors with vast distribution and advertising budgets, established regional brands with deep local reach, private labels from modern-trade and quick-commerce platforms, and a large unorganised segment. **A new brand competes against companies whose distributors it is trying to borrow.**

### The business's edge

- **Secondary sales measured**, so the business knows what is real.
- **Distributor ROI computed and shared** — almost nobody at this scale does it.
- **Trade spend controlled and reconciled fast**, which distributors value more than higher schemes.
- **Ruthless SKU discipline**, so working capital sits behind products that move.
- **Surplus capacity monetised** through private-label work.

> **The distributor is the most misunderstood party in Indian FMCG, and getting him wrong is the commonest reason a well-made product fails to reach a shelf.** He is not a customer, and treating him as one produces exactly the wrong behaviour. **He is a financier who buys your stock with his own money, a salesman who carries your product alongside four or five other brands, and a warehouse operator who bears the cost of anything that expires.** His decision about how hard to push your product is not emotional and not about the relationship — **it is a calculation of return on the working capital he has tied up in you, against the return available from the other brands in his van.** A brand that never computes that number is asking for effort it cannot justify. **The single most effective thing a small brand can do is calculate the distributor's own return — his margin, against his investment in stock and credit, over the time his money is locked up — and show it to him.** The effect is twofold:

**it reveals whether the proposition is actually worth his while, which is information the brand needs more than he does; and where the return is thin, it converts a vague conversation about "more support" into a specific one about credit period, order frequency or scheme design.** This plan computes and shares distributor ROI on 84% of relationships by Year 3, and distributor attrition falls from 38% to 19% — **which matters because every distributor lost takes his retailer relationships with him, and the brand starts that territory again from nothing.**

## 6. Products, Pricing & the Price-Point Problem

| Channel | Model | Basis |
|---|---|---:|
| **General trade (via distributors)** | Primary billing + schemes | **~54–50% of net sales** |
| Modern trade & organised retail | Direct or via MT distributor | Listing fees, higher margins demanded |
| **E-commerce & quick commerce** | Marketplace / direct supply | **Fastest growth, thinnest contribution** |
| Institutional & HoReCa | Bulk contracts | Low margin, steady volume |
| Private-label production | Per unit conversion | Monetises idle capacity |
| **Grammage reduction without pack disclosure** | **NIL — by policy** | **The consumer notices eventually** |
| **Primary dispatch booked as growth without secondary data** | **NIL — by policy** | **Measured, not assumed** |

**Indian FMCG is anchored to price points rather than to prices, and this single fact governs how the category responds to cost inflation.** A product sells at ₹10, ₹20 or ₹50 because those are the coins and notes a consumer reaches for, and **a ₹10 pack cannot become an ₹11 pack — it can only become a smaller ₹10 pack.** So when input costs rise, the industry reduces grammage: the pack looks identical, the price is unchanged, and there is fifteen percent less inside it. **This is legal, it is universal, and it is disclosed only in the small print of the net-quantity declaration that almost nobody reads.** It is also, in the author's view, the practice that quietly erodes brand trust over years — **because consumers do eventually notice, not by reading the pack but by noticing that it does not last as long, and what they conclude is not "input costs rose" but "this brand has become worse."** This plan does not pretend grammage management can be avoided in a price-point market. **It requires that any reduction be printed clearly on the front of pack rather than only in the mandatory declaration**, holding **undisclosed grammage reductions at NIL** — accepting that this costs volume against competitors who do it silently, **and taking the view that a consumer who was told will forgive a smaller pack, while one who works it out for themselves will not.**

## 7. Go-to-Market — Building a Beat

### Acquisition

- **Cluster-first distribution** — depth in a few towns before width across a state.
- **Distributor appointment on computed ROI**, not on optimism.
- **Modern trade and quick commerce** for visibility, entered with the costs understood.
- **Private-label conversations**, which fund capacity while the brand is built.

### Retention

- **Fast scheme settlement** — the single largest source of distributor goodwill.
- **Consistent supply**, since a stock-out teaches a retailer to sell something else.
- **Damage and expiry handling** without argument.
- **Retailer pull**, which is what makes the distributor's job easy.

### Sales approach

Build depth in a cluster → appoint distributors on their own arithmetic → measure secondary → settle schemes fast → expand only where the last cluster works. **The discipline that separates brands that scale from brands that stall is refusing to expand geography before the existing territory is productive.** A brand appointing distributors across four states looks impressive and usually is not: **thin coverage means low throughput per outlet, which means low distributor ROI, which means declining attention, which means the brand quietly disappears from shelves it paid to enter. Depth is what makes a beat economic — a salesman covering forty productive outlets in a day earns his cost; the same salesman covering forty outlets that each buy one case a month does not**, and no amount of advertising fixes a route that does not pay for itself.

## 8. Operations Plan (make, dispatch, measure, settle, prune)

- **Manufacturing:** in-house production for core SKUs, **with capacity utilisation tracked because an underloaded plant is a fixed cost pretending to be a strategy.**
- **Quality & compliance:** batch testing, FSSAI conformity, labelling verification against Legal Metrology before print, not after.
- **Distribution:** cluster-based appointment, beat planning, and **distributor ROI computed at appointment and reviewed quarterly.**
- **Secondary capture: distributor management system recording onward sales and closing stock — the single most important system in this business.**
- **Trade spend:** schemes designed with an end date, **reconciled and settled within forty-five days.**
- **Expiry control:** FIFO enforcement at distributor level, near-expiry alerts, and **liquidation planned rather than improvised at 30 days to expiry.**
- **Portfolio management: SKU performance reviewed at six and twelve months, with delisting as a normal act rather than an admission of failure.**
- **Capacity monetisation:** private-label contracts scheduled into troughs.

### Brand control points

| Area | Activity | Control point |
|---|---|---:|
| **Real growth** | **Secondary sales captured, not assumed** | **Secondary/primary 0.74 → 0.96** |
| **Channel health** | **Days of stock at distributor monitored** | **62 → 46 → 34 days** |
| **Trade spend** | **Schemes with end dates, settled in 45 days** | **21.1% → 16.0% of gross; settled 34% → 88%** |
| Distributor economics | ROI computed and shared | 22% → 84%; attrition 38% → 19% |
| **Expiry & damages** | **FIFO, near-expiry alerts, planned liquidation** | **4.1% → 2.2% of gross sales** |
| Portfolio | Review at 6 and 12 months; delist | SKUs surviving 12 months 34% → 52% |

> **Trade spend is the real cost of goods in this business, and it is the line new brand owners most consistently under-budget because it does not feel like a cost when it is promised.** A scheme — extra units free, a slab discount, a display allowance, a quarter-end push — **is agreed verbally at dispatch, honoured in a credit note months later, and frequently disputed in between because nobody wrote down precisely what was offered on which invoice.** The result is an FMCG-specific dispute that damages relationships and consumes finance-team time: **the distributor believes he is owed a scheme, the brand's records say something different, and both are partly right because the agreement was a conversation.** Three disciplines close it. **Every scheme carries a written definition, a start and end date, and an eligibility basis before a single case is dispatched under it. Reconciliation and settlement happen within forty-five days rather than at year-end** — moving from 34% to 88% here — because **a scheme settled quickly is worth more to a distributor than a larger scheme settled slowly, since his objection was never the amount but the uncertainty.** And **total trade spend is managed as a percentage of gross sales with a ceiling**, falling from 21.1% to 16.0%, **because in a business whose net margin reaches 3.3%, a five-point movement in trade spend is not a variance — it is the difference between the plan and insolvency.**

## 9. FSSAI, Labelling & Compliance (India)

- **FSSAI licence and product approval**, with labelling covering ingredients, nutrition, allergens, veg/non-veg mark and date coding.
- **Legal Metrology packaged-commodity declarations** — MRP, net quantity, manufacturer identity, consumer-care details — **verified before artwork goes to print, because a labelling error is a full print run and a recall risk.**
- **Grammage changes reflected accurately**, and in this plan disclosed prominently rather than only in the mandatory declaration.
- **Extended Producer Responsibility** under plastic-waste rules — **a real and rising cost that belongs in the plan rather than in a later surprise.**
- **ASCI and advertising claim substantiation**, particularly for nutritional and health-adjacent claims.
- **Shelf-life management** as a safety duty, an operating cost and a returns liability simultaneously.
- **GST with the distributor input-credit chain**, and scheme credit notes structured correctly.
- Factory licensing, food-safety plan, pest control and worker health certification.

## 10. Organisation & Manpower Plan

| Role | Yr 1 | Yr 2 | Yr 3 |
|---|---|---|---|
| Promoter / managing director | 1 | 1 | 2 |
| Production & packing | 22 | 32 | 46 |
| **Sales & distribution (ASMs, sales officers)** | **18** | **32** | **52** |
| Supply chain, warehouse & logistics | 6 | 10 | 15 |
| **Quality, lab & compliance** | **4** | **6** | **9** |
| **Finance, accounts & scheme reconciliation** | **4** | **6** | **9** |
| Marketing & brand | 3 | 5 | 8 |
| Admin & HR | 3 | 4 | 6 |
| **Total** | **61** | **96** | **147** |

**A dedicated scheme-reconciliation function inside finance is unusual at this scale and deliberate — in a business where trade spend is the second-largest cost line, the people who reconcile it are doing margin work, not clerical work.**

## 11. Implementation Timeline & Milestones

| Phase | Timeline | Milestone |
|---|---|---|
| Setup | Month 0–4 | Plant commissioned, FSSAI and labelling cleared, first 34 distributors appointed on computed ROI |
| Launch | Month 4–12 | ₹5.32cr gross / ₹4.20cr net; ₹44L loss; 3,200 outlets; secondary/primary 0.74 |
| Build | Year 2 | 78 distributors, 8,600 outlets; trade spend 18.9%, channel stock 46 days; ₹6.57cr net, ₹15L loss |
| Scale | Year 3 | 142 distributors, 16,400 outlets; **₹9.74cr net, ₹32L profit; secondary/primary 0.96, trade spend 16.0%** |

## 12. Financial Plan (Illustrative)

*All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates.* ***Trade spend, returns and channel inventory are the levers; the gross margin is not one, because it is spent before it is banked.***

### 12.1 Project cost & means of finance

| Capital requirement | ₹ |
|---|---|
| **Plant, machinery & packing line** | **54,00,000** |
| **Working capital (inventory + channel credit)** | **52,00,000** |
| Factory building deposit, civil & utilities | 20,00,000 |
| **Launch advertising, trade listing & distributor onboarding** | **18,00,000** |
| Quality lab, testing & FSSAI compliance setup | 10,00,000 |
| Technology (DMS, ERP, secondary-sales capture) | 6,00,000 |
| Legal, licences & registrations | 4,00,000 |
| **Total project cost** | **1,64,00,000** |
| Promoter contribution | 60,00,000 |
| Term loan (plant & equipment) | 58,00,000 |
| Working-capital finance | 46,00,000 |

### 12.2 Projected Profit & Loss (3 years)

| Particulars | Year 1 | Year 2 | Year 3 |
|---|---|---|---|
| **GROSS SALES (before trade schemes)** | **5,32,00,000** | **8,10,00,000** | **11,60,00,000** |
| **Less: trade schemes & discounts** | **(1,12,00,000)** | **(1,53,00,000)** | **(1,86,00,000)** |

| **Net sales** | **4,20,00,000** | **6,57,00,000** | **9,74,00,000** |
|---|---|---|---|
| — General trade (via distributors) | 2,28,00,000 | 3,40,00,000 | 4,86,00,000 |
| — Modern trade & organised retail | 76,00,000 | 1,28,00,000 | 2,02,00,000 |
| — E-commerce & quick commerce | 62,00,000 | 1,08,00,000 | 1,74,00,000 |
| — Institutional & HoReCa | 34,00,000 | 52,00,000 | 74,00,000 |
| — Private-label production | 20,00,000 | 29,00,000 | 38,00,000 |
| **Cost of goods (materials, packaging, conversion)** | **2,36,00,000** | **3,58,00,000** | **5,16,00,000** |
| Salaries (production, sales, admin) | 58,00,000 | 78,00,000 | 1,08,00,000 |
| **Advertising, marketing & brand building** | **42,00,000** | **62,00,000** | **88,00,000** |
| **Distributor margin & channel servicing** | **26,00,000** | **40,00,000** | **58,00,000** |
| Freight, warehousing & logistics | 24,00,000 | 36,00,000 | 50,00,000 |
| **Returns, damages & expiry** | **22,00,000** | **26,00,000** | **30,00,000** |
| Factory overheads, utilities & maintenance | 20,00,000 | 26,00,000 | 34,00,000 |
| Finance cost (interest) | 16,00,000 | 20,00,000 | 24,00,000 |
| Depreciation | 14,00,000 | 18,00,000 | 24,00,000 |
| Compliance, testing & quality | 6,00,000 | 8,00,000 | 10,00,000 |
| **Total expenses** | **4,64,00,000** | **6,72,00,000** | **9,42,00,000** |
| **Net profit / (loss) before tax** | **(44,00,000)** | **(15,00,000)** | **32,00,000** |
| Net margin (on net sales) | (10.5%) | (2.3%) | 3.3% |
| Gross margin | 43.8% | 45.5% | 47.0% |
| **TRADE SPEND AS % OF GROSS SALES** | **21.1%** | **18.9%** | **16.0%** |
| **SECONDARY-TO-PRIMARY SALES RATIO (measured, not assumed)** | **0.74** | **0.86** | **0.96** |
| **Distributors with secondary-sales visibility (DMS capture)** | **31%** | **62%** | **89%** |
| **CHANNEL INVENTORY (days of stock at distributor)** | **62** | **46** | **34** |
| **Schemes reconciled & settled within 45 days** | **34%** | **61%** | **88%** |
| **Returns, damages & expiry as % of gross sales** | **4.1%** | **3.1%** | **2.2%** |
| **Distributor ROI computed & shared with the distributor** | **22%** | **54%** | **84%** |
| **Distributor annual attrition** | **38%** | **27%** | **19%** |
| **New SKUs still listed at 12 months / SKUs delisted for non-performance** | **34% / 3** | **44% / 7** | **52% / 11** |
| **Grammage reductions implemented without pack disclosure** | **NIL** | **NIL** | **NIL** |
| Active distributors / Unique outlets billed monthly | 34 / 3,200 | 78 / 8,600 | 142 / 16,400 |
| Capacity utilisation / A&P as % of net sales | 41% / 10.0% | 62% / 9.4% | 78% / 9.0% |

### 12.3 Unit economics & break-even

- **The two loss-making years are the plan's most honest feature. A brand that shows a profit in Year 1 has not built distribution — it has either underspent on trade and advertising, or it is booking primary dispatches that will return as expiry.**
- **Gross margin of 43.8% produces a net margin of minus 10.5%**, which is the entire lesson of this vertical in one line: **the margin is earned once and spent three times, on the retailer, the distributor and the demand.**
- **Trade spend falling from 21.1% to 16.0% of gross sales is worth more than any pricing action available** — **five points of gross sales against a 3.3% net margin is the whole business.**
- **Returns, damages and expiry at 4.1% falling to 2.2%** is the silent margin killer brought under control; **it is bought with FIFO discipline and planned liquidation, not with better products.**
- **Break-even:** Year 3. **Working capital, not capacity, is what must be funded through the first two years — the plant is at 41% utilisation in Year 1 and is not the constraint on anything.**

### 12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

| Particulars (₹) | Q1 | Q2 | Q3 | Q4 |
|---|---|---|---|---|
| Opening balance | 52,00,000 | 32,00,000 | 17,00,000 | 8,00,000 |
| Collections | 92,00,000 | 98,00,000 | 1,04,00,000 | 1,06,00,000 |
| Materials, wages, trade spend, freight & overheads | 1,12,00,000 | 1,13,00,000 | 1,13,00,000 | 1,12,00,000 |
| **Closing balance** | **32,00,000** | **17,00,000** | **8,00,000** | **2,00,000** |

> **Working capital is the binding constraint in this business and the reason good products with real demand run out of money, and the mechanism deserves setting out because it is not obvious from the profit and loss account.** The brand **buys raw material and packaging, converts it, holds finished goods, dispatches to a distributor on thirty to forty-five days' credit, and then waits — while the distributor holds sixty-two days of stock before selling most of it onward.** Add the scheme liability accrued but unsettled, and **the cash cycle from raw material purchased to money banked runs to four months or more, on a business making a loss.** Every additional distributor appointed makes it worse before it makes it better: **an opening order is stock leaving the building against a promise, and a brand expanding rapidly is consuming cash exactly in proportion to its success.** Four controls: **channel inventory managed down from 62 days to 34, which releases more cash than any collection effort**; **the working-capital facility sized against the full cycle rather than against receivables alone**; **scheme liabilities accrued and settled rather than allowed to accumulate as an unquantified overhang**; and **expansion paced to cash rather than to ambition, because the fastest way to fail in this category is to succeed in more towns than you can fund.**

### 12.5 Key Performance Indicators to Monitor

- **Real demand: secondary-to-primary ratio; days of channel inventory; unique outlets billed; throughput per outlet.**
- **Margin protection: trade spend as % of gross sales; scheme settlement within 45 days; returns, damages and expiry; gross-to-net bridge by channel.**
- **Channel health: distributor ROI computed and shared; distributor attrition; stock-out incidence; scheme disputes open.**
- **Portfolio & plant:** SKU survival at 12 months; delistings; capacity utilisation; batch rejection and compliance findings.

## 13. Funding Requirement & Bankability

Total ask: **₹58 lakh term loan plus ₹46 lakh working-capital finance** against ₹60 lakh promoter contribution. Four points. **First, this plan asks a lender to fund two loss-making years, and that should be understood as the shape of the category rather than a weakness in the plan** — **an FMCG brand reaching profitability in Year 1 has almost certainly under-invested in distribution, and its Year-3 position will be worse for it.** **Second, the working-capital facility is the operative exposure and must be sized against the full cash cycle**: **raw material to finished goods to distributor credit to secondary sale runs beyond four months, and a facility sized on receivables alone will fund about half of what the business actually consumes.** **Third, and most usefully, ask for the secondary-to-primary ratio.** **A brand that cannot produce it is reporting dispatches as sales, and there is no way from the outside to tell the difference between a brand growing and a brand filling its distributors' godowns — the ratio is the only diagnostic, and its absence is itself the finding.** **Fourth, treat trade spend as a covenant rather than a line item**: **at a 3.3% net margin, a brand that lets trade spend drift from 16% back to 21% of gross sales has lost more than its entire profit, and it can do so in a single aggressive quarter without anybody noticing until the credit notes are issued.**

### 13.1 Funding utilisation

| Use of funds | ₹ | % of total |
|---|---:|---:|
| Plant, machinery & packing line | 54,00,000 | 32.9% |
| Working capital (inventory + channel credit) | 52,00,000 | 31.7% |
| Factory building deposit, civil & utilities | 20,00,000 | 12.2% |
| Launch advertising, trade listing & distributor onboarding | 18,00,000 | 11.0% |
| Quality lab, testing & FSSAI compliance setup | 10,00,000 | 6.1% |
| Technology (DMS, ERP, secondary-sales capture) | 6,00,000 | 3.7% |
| Legal, licences & registrations | 4,00,000 | 2.4% |
| **Total** | **1,64,00,000** | **100%** |

## 14. Risk Analysis & Mitigation

| Risk | Mitigation |
|---|---|
| **The gross margin misleads** | **OPENS THE FMCG VERTICAL AND SETS ITS CONVENTION: A BRAND LOOKS AT 45% AND BELIEVES IT HAS A COMFORTABLE BUSINESS — IT DOES NOT, BECAUSE THAT MARGIN IS EARNED ONCE AND SPENT THREE TIMES: ON THE RETAILER'S MARGIN, ON THE DISTRIBUTOR'S MARGIN, AND ON THE SCHEMES, LISTINGS AND ADVERTISING REQUIRED TO MAKE ANYONE STOCK OR BUY THE PRODUCT AT ALL. A BRAND OWNER WHO THINKS IN GROSS MARGIN IS READING THE ONLY LINE IN HIS PROFIT AND LOSS ACCOUNT THAT FLATTERS HIM** (43.8% gross → −10.5% net in Year 1) |

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| **Primary is not sales** | **PRIMARY IS WHAT THE BRAND SELLS TO ITS DISTRIBUTOR AND IS WHAT ALMOST EVERY INDIAN FMCG BRAND BOOKS AS REVENUE; SECONDARY IS WHAT THE DISTRIBUTOR SELLS ONWARD; TERTIARY IS WHAT THE RETAILER SELLS TO A CONSUMER — AND THAT IS THE ONLY SALE THAT ACTUALLY HAPPENED. A BRAND CAN GROW PRIMARY SALES FOR THREE CONSECUTIVE QUARTERS WITHOUT A SINGLE ADDITIONAL CONSUMER BUYING ANYTHING: IT IS SIMPLY MOVING INVENTORY INTO THE CHANNEL, AND THE CHANNEL WILL STOP ACCEPTING IT AT PRECISELY THE MOMENT THE BRAND MOST NEEDS IT TO KEEP GOING.** Meanwhile **THE STOCK AGES TOWARD EXPIRY, OCCUPIES THE DISTRIBUTOR'S WORKING CAPITAL AND COMES BACK AS A RETURN — WHILE THE BRAND HAS RECOGNISED REVENUE, PAID A BONUS ON IT, AND TOLD A LENDER IT IS GROWING** → DMS secondary capture (31%→89%), channel inventory 62→34 days, secondary/primary 0.74→0.96, with the honest reading that **IN YEAR 1 ROUGHLY A QUARTER OF WHAT THIS BRAND "SOLD" HAD NOT BEEN SOLD TO ANYBODY — NORMAL, WIDELY PRACTISED, AND THE SINGLE EASIEST WAY FOR A BRAND OF THIS SIZE TO DECEIVE ITSELF** |
| **The brand funds the channel first** | **STOCK GOES OUT ON CREDIT, SCHEMES ARE PROMISED AT DISPATCH AND SETTLED MONTHS LATER, LISTING FEES ARE PAID BEFORE A SINGLE UNIT SELLS, AND THE CASH RETURNS 60-120 DAYS LATER — IF THE PRODUCT SELLS AT ALL, AND ONLY SOME OF IT WILL. WORKING CAPITAL, NOT MANUFACTURING CAPACITY, IS THE BINDING CONSTRAINT, AND IT IS THE REASON WELL-MADE PRODUCTS WITH REAL DEMAND RUN OUT OF MONEY** — and **EVERY ADDITIONAL DISTRIBUTOR MAKES IT WORSE BEFORE IT MAKES IT BETTER: AN OPENING ORDER IS STOCK LEAVING THE BUILDING AGAINST A PROMISE, AND A BRAND EXPANDING RAPIDLY IS CONSUMING CASH EXACTLY IN PROPORTION TO ITS SUCCESS** |
| **Reach cannot be bought** | **A BRAND WITH CAPITAL AND NO BEAT HAS PRODUCT IN A WAREHOUSE — REACH IS BUILT DISTRIBUTOR BY DISTRIBUTOR, TOWN BY TOWN, OVER YEARS.** And **THE DISTRIBUTOR IS NOT A CUSTOMER: HE IS A FINANCIER WHO BUYS YOUR STOCK WITH HIS OWN MONEY, A SALESMAN WHO CARRIES YOUR PRODUCT ALONGSIDE FOUR OR FIVE OTHERS, AND A WAREHOUSE OPERATOR WHO BEARS THE COST OF ANYTHING THAT EXPIRES — HIS DECISION ABOUT HOW HARD TO PUSH IS NOT EMOTIONAL AND NOT ABOUT THE RELATIONSHIP; IT IS A CALCULATION OF RETURN ON THE WORKING CAPITAL HE HAS TIED UP IN YOU AGAINST THE RETURN AVAILABLE FROM THE OTHER BRANDS IN HIS VAN** → compute his ROI and show it to him (22%→84%), which **REVEALS WHETHER THE PROPOSITION IS WORTH HIS WHILE — INFORMATION THE BRAND NEEDS MORE THAN HE DOES — AND CONVERTS A VAGUE CONVERSATION ABOUT "MORE SUPPORT" INTO A SPECIFIC ONE ABOUT CREDIT PERIOD, ORDER FREQUENCY OR SCHEME DESIGN** (attrition 38%→19%, **BECAUSE EVERY DISTRIBUTOR LOST TAKES HIS RETAILER RELATIONSHIPS WITH HIM AND THE BRAND STARTS THAT TERRITORY AGAIN FROM NOTHING**) |
| **Trade spend is the real cost of goods** | **MOST CONSISTENTLY UNDER-BUDGETED BECAUSE IT DOES NOT FEEL LIKE A COST WHEN IT IS PROMISED: A SCHEME IS AGREED VERBALLY AT DISPATCH, HONOURED IN A CREDIT NOTE MONTHS LATER, AND FREQUENTLY DISPUTED IN BETWEEN BECAUSE NOBODY WROTE DOWN PRECISELY WHAT WAS OFFERED ON WHICH INVOICE — THE DISTRIBUTOR BELIEVES HE IS OWED A SCHEME, THE BRAND'S RECORDS SAY SOMETHING DIFFERENT, AND BOTH ARE PARTLY RIGHT BECAUSE THE AGREEMENT WAS A CONVERSATION** → written definition, dates and eligibility before dispatch; settlement within 45 days (34%→88%), because **A SCHEME SETTLED QUICKLY IS WORTH MORE TO A DISTRIBUTOR THAN A LARGER SCHEME SETTLED SLOWLY, SINCE HIS OBJECTION WAS NEVER THE AMOUNT BUT THE UNCERTAINTY**; and a ceiling on total spend (21.1%→16.0%) because **IN A BUSINESS WHOSE NET MARGIN REACHES 3.3%, A FIVE-POINT MOVEMENT IN TRADE SPEND IS NOT A VARIANCE — IT IS THE DIFFERENCE BETWEEN THE PLAN AND INSOLVENCY** |

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| **The price-point trap** | **INDIAN FMCG IS ANCHORED TO PRICE POINTS RATHER THAN PRICES — A PRODUCT SELLS AT ₹10, ₹20 OR ₹50 BECAUSE THOSE ARE THE COINS AND NOTES A CONSUMER REACHES FOR, AND A ₹10 PACK CANNOT BECOME AN ₹11 PACK; IT CAN ONLY BECOME A SMALLER ₹10 PACK.** So cost inflation is absorbed through grammage: **THE PACK LOOKS IDENTICAL, THE PRICE IS UNCHANGED, AND THERE IS FIFTEEN PERCENT LESS INSIDE IT — LEGAL, UNIVERSAL, AND DISCLOSED ONLY IN THE SMALL PRINT OF THE NET-QUANTITY DECLARATION THAT ALMOST NOBODY READS. IT IS ALSO THE PRACTICE THAT QUIETLY ERODES BRAND TRUST OVER YEARS, BECAUSE CONSUMERS DO EVENTUALLY NOTICE — NOT BY READING THE PACK BUT BY NOTICING IT DOES NOT LAST AS LONG — AND WHAT THEY CONCLUDE IS NOT "INPUT COSTS ROSE" BUT "THIS BRAND HAS BECOME WORSE"** → reductions printed on the FRONT of pack (undisclosed reductions NIL), at a volume cost, **ON THE VIEW THAT A CONSUMER WHO WAS TOLD WILL FORGIVE A SMALLER PACK, WHILE ONE WHO WORKS IT OUT FOR THEMSELVES WILL NOT** |
| **Expiry & damages** | The category's silent margin killer at 4.1% of gross sales → FIFO enforcement at distributor level, near-expiry alerts, and **LIQUIDATION PLANNED RATHER THAN IMPROVISED AT THIRTY DAYS TO EXPIRY** (4.1%→3.1%→2.2%), **BOUGHT WITH DISCIPLINE AND PLANNING RATHER THAN WITH BETTER PRODUCTS** |
| **Portfolio drift** | Most new SKUs fail, and **A BRAND THAT NEVER DELISTS IS CARRYING DEAD INVENTORY AS AN ACT OF HOPE** → review at six and twelve months with **DELISTING AS A NORMAL ACT RATHER THAN AN ADMISSION OF FAILURE** (SKUs surviving 12 months 34%→52%; delistings 3→7→11, **RISING BECAUSE THE DISCIPLINE IS WORKING, NOT BECAUSE THE PRODUCTS GOT WORSE**) |
| Expansion & channel economics | **THE DISCIPLINE THAT SEPARATES BRANDS THAT SCALE FROM BRANDS THAT STALL IS REFUSING TO EXPAND GEOGRAPHY BEFORE THE EXISTING TERRITORY IS PRODUCTIVE: THIN COVERAGE MEANS LOW THROUGHPUT PER OUTLET, WHICH MEANS LOW DISTRIBUTOR ROI, WHICH MEANS DECLINING ATTENTION, WHICH MEANS THE BRAND QUIETLY DISAPPEARS FROM SHELVES IT PAID TO ENTER — DEPTH IS WHAT MAKES A BEAT ECONOMIC, BECAUSE A SALESMAN COVERING FORTY PRODUCTIVE OUTLETS IN A DAY EARNS HIS COST AND THE SAME SALESMAN COVERING FORTY OUTLETS THAT EACH BUY ONE CASE A MONTH DOES NOT, AND NO AMOUNT OF ADVERTISING FIXES A ROUTE THAT DOES NOT PAY FOR ITSELF.** Modern trade and quick commerce demand listing fees and margins that can exceed the manufacturing margin, and are entered with the costs understood rather than for the visibility alone |

## 15. SWOT Analysis

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| **Strengths**<br>**Secondary sales measured rather than assumed — most brands this size cannot say what actually sold**; distributor ROI computed and shared; **fast scheme settlement, worth more to distributors than larger schemes**; SKU discipline protecting working capital; surplus capacity monetised. | **Weaknesses**<br>**Two loss-making years before profitability**; working capital consumed in proportion to growth; **3.3% net margin leaves no room for trade-spend drift**; reach cannot be accelerated with money; competing for distributors owned by larger brands. |
| **Opportunities**<br>Regional brands taking share from national ones; **quick commerce as a new route to the urban consumer**; category expansion in health and convenience; **private-label demand from D2C brands wanting capacity without capital**; premiumisation. | **Threats**<br>**National majors whose distributors this brand is trying to borrow**; platform private labels; input-cost inflation against fixed price points; **modern-trade and quick-commerce terms exceeding the manufacturing margin**; a single labelling or food-safety failure. |

## 16. Recommended AiSevak Tools for This Business

This FMCG brand manufacturer would use AiSevak's FMCG vertical tools in operations:

- **Real-demand measurement: distributor management system with secondary-sales and closing-stock capture, secondary-to-primary ratio, days of channel inventory by distributor.**
- **Trade spend: scheme definition register with dates and eligibility, 45-day settlement clock, gross-to-net bridge by channel, trade-spend ceiling monitoring.**
- **Channel health: distributor ROI calculator shared with the distributor**, attrition tracking, stock-out incidence, open scheme disputes.
- **Product & compliance:** SKU performance review at 6 and 12 months, delisting log, near-expiry alerts with planned liquidation, labelling and Legal Metrology pre-print verification, EPR tracking.
- **Cash:** full cash-cycle model (material to banked), working-capital sizing against the cycle, expansion pacing against available cash.

## 17. Key Assumptions & Notes

- FMCG brand manufacturer: own-brand consumer goods through general trade, modern trade, e-commerce and quick commerce, institutional and HoReCa, plus private-label production on surplus capacity. **ANCHOR PLAN — OPENS THE FMCG VERTICAL AND SETS ITS CONVENTION.**
- **⚠ GOVERNING CONVENTION FOR THE WHOLE FMCG VERTICAL, SET HERE: (a) THE MARGIN IS EARNED ONCE AND SPENT THREE TIMES — ON THE RETAILER'S MARGIN, THE DISTRIBUTOR'S MARGIN, AND THE SCHEMES, LISTINGS AND ADVERTISING REQUIRED TO MAKE ANYONE STOCK OR BUY THE PRODUCT AT ALL; A BRAND OWNER WHO THINKS IN GROSS MARGIN IS READING THE ONLY LINE IN HIS P&L THAT FLATTERS HIM (43.8% gross → −10.5% net in Y1). (b) PRIMARY IS NOT SALES: PRIMARY IS WHAT THE BRAND SELLS TO ITS DISTRIBUTOR AND IS WHAT ALMOST EVERY INDIAN FMCG BRAND BOOKS AS REVENUE; SECONDARY IS WHAT THE DISTRIBUTOR SELLS ONWARD; TERTIARY IS WHAT THE RETAILER SELLS TO A CONSUMER — AND THAT IS THE ONLY SALE THAT ACTUALLY HAPPENED. A BRAND CAN GROW PRIMARY SALES FOR THREE CONSECUTIVE QUARTERS WITHOUT A SINGLE ADDITIONAL CONSUMER BUYING ANYTHING; IT IS SIMPLY MOVING INVENTORY INTO THE CHANNEL, AND THE CHANNEL WILL STOP ACCEPTING IT AT PRECISELY THE MOMENT THE BRAND MOST NEEDS IT TO KEEP GOING. (c) THE BRAND MUST FUND THE CHANNEL LONG BEFORE THE CHANNEL FUNDS THE BRAND — WORKING CAPITAL, NOT MANUFACTURING CAPACITY, IS THE BINDING CONSTRAINT, AND IT IS THE REASON WELL-MADE PRODUCTS WITH REAL DEMAND RUN OUT OF MONEY. (d) DISTRIBUTION REACH CANNOT BE BOUGHT QUICKLY AT ANY PRICE — A BRAND WITH CAPITAL AND NO BEAT HAS PRODUCT IN A WAREHOUSE. (e) EXPIRY AND DAMAGES ARE THE CATEGORY'S SILENT MARGIN KILLER.**
- **ON MEASURING WHAT IS REAL: THE MOST IMPORTANT NUMBER IN INDIAN FMCG IS NOT SALES BUT THE RATIO BETWEEN WHAT A BRAND DISPATCHED AND WHAT THE MARKET ACTUALLY CONSUMED — BECAUSE ONLY ONE OF THOSE TWO FIGURES CAN BE INFLATED AT WILL: A BRAND UNDER PRESSURE TO SHOW GROWTH CAN PERSUADE OR INCENTIVISE DISTRIBUTORS TO TAKE ADDITIONAL STOCK (AN EXTRA SCHEME, A QUARTER-END PUSH, A CREDIT EXTENSION), PRIMARY SALES RISE, THE REVENUE LINE LOOKS HEALTHY, AND NOTHING WHATSOEVER HAS HAPPENED IN ANY SHOP. THE STOCK SITS IN THE GODOWN, AGES TOWARD EXPIRY, OCCUPIES HIS WORKING CAPITAL AND EVENTUALLY COMES BACK AS A RETURN OR A DEMAND FOR COMPENSATION — MEANWHILE THE BRAND HAS RECOGNISED REVENUE, PAID ITS TEAM A BONUS ON IT, AND TOLD A LENDER IT IS GROWING** → DMS capture of secondary sales and closing stock (31%→62%→89%), days of channel inventory (62→46→34) and the secondary-to-primary ratio as THE growth number (0.74→0.86→0.96), read honestly: **IN YEAR 1 ROUGHLY A QUARTER OF WHAT THIS BRAND "SOLD" HAD NOT BEEN SOLD TO ANYBODY — WHICH IS NORMAL, WIDELY PRACTISED, AND THE SINGLE EASIEST WAY FOR A BRAND OF THIS SIZE TO DECEIVE ITSELF.**

- **THE DISTRIBUTOR IS THE MOST MISUNDERSTOOD PARTY IN INDIAN FMCG AND GETTING HIM WRONG IS THE COMMONEST REASON A WELL-MADE PRODUCT FAILS TO REACH A SHELF: HE IS NOT A CUSTOMER — HE IS A FINANCIER WHO BUYS YOUR STOCK WITH HIS OWN MONEY, A SALESMAN WHO CARRIES YOUR PRODUCT ALONGSIDE FOUR OR FIVE OTHER BRANDS, AND A WAREHOUSE OPERATOR WHO BEARS THE COST OF ANYTHING THAT EXPIRES; HIS DECISION ABOUT HOW HARD TO PUSH YOUR PRODUCT IS NOT EMOTIONAL AND NOT ABOUT THE RELATIONSHIP — IT IS A CALCULATION OF RETURN ON THE WORKING CAPITAL HE HAS TIED UP IN YOU AGAINST THE RETURN AVAILABLE FROM THE OTHER BRANDS IN HIS VAN → THE SINGLE MOST EFFECTIVE THING A SMALL BRAND CAN DO IS CALCULATE THE DISTRIBUTOR'S OWN RETURN — HIS MARGIN AGAINST HIS INVESTMENT IN STOCK AND CREDIT OVER THE TIME HIS MONEY IS LOCKED UP — AND SHOW IT TO HIM**, which **REVEALS WHETHER THE PROPOSITION IS ACTUALLY WORTH HIS WHILE (INFORMATION THE BRAND NEEDS MORE THAN HE DOES) AND CONVERTS A VAGUE CONVERSATION ABOUT "MORE SUPPORT" INTO A SPECIFIC ONE ABOUT CREDIT PERIOD, ORDER FREQUENCY OR SCHEME DESIGN** (ROI shared 22%→54%→84%; attrition 38%→27%→19%, mattering **BECAUSE EVERY DISTRIBUTOR LOST TAKES HIS RETAILER RELATIONSHIPS WITH HIM AND THE BRAND STARTS THAT TERRITORY AGAIN FROM NOTHING**). Expansion discipline follows: **REFUSE TO EXPAND GEOGRAPHY BEFORE THE EXISTING TERRITORY IS PRODUCTIVE — THIN COVERAGE MEANS LOW THROUGHPUT PER OUTLET, WHICH MEANS LOW DISTRIBUTOR ROI, WHICH MEANS DECLINING ATTENTION, WHICH MEANS THE BRAND QUIETLY DISAPPEARS FROM SHELVES IT PAID TO ENTER; DEPTH IS WHAT MAKES A BEAT ECONOMIC, BECAUSE A SALESMAN COVERING FORTY PRODUCTIVE OUTLETS EARNS HIS COST AND THE SAME SALESMAN COVERING FORTY OUTLETS THAT EACH BUY ONE CASE A MONTH DOES NOT — AND NO AMOUNT OF ADVERTISING FIXES A ROUTE THAT DOES NOT PAY FOR ITSELF.**
- **TRADE SPEND IS THE REAL COST OF GOODS AND THE LINE NEW BRAND OWNERS MOST CONSISTENTLY UNDER-BUDGET, BECAUSE IT DOES NOT FEEL LIKE A COST WHEN IT IS PROMISED: A SCHEME IS AGREED VERBALLY AT DISPATCH, HONOURED IN A CREDIT NOTE MONTHS LATER, AND FREQUENTLY DISPUTED IN BETWEEN BECAUSE NOBODY WROTE DOWN PRECISELY WHAT WAS OFFERED ON WHICH INVOICE — THE DISTRIBUTOR BELIEVES HE IS OWED A SCHEME, THE BRAND'S RECORDS SAY SOMETHING DIFFERENT, AND BOTH ARE PARTLY RIGHT BECAUSE THE AGREEMENT WAS A CONVERSATION** → written definition, start and end dates and eligibility basis BEFORE dispatch; settlement within 45 days (34%→61%→88%) because **A SCHEME SETTLED QUICKLY IS WORTH MORE TO A DISTRIBUTOR THAN A LARGER SCHEME SETTLED SLOWLY, SINCE HIS OBJECTION WAS NEVER THE AMOUNT BUT THE UNCERTAINTY**; and a managed ceiling (21.1%→18.9%→16.0% of gross sales) because **IN A BUSINESS WHOSE NET MARGIN REACHES 3.3%, A FIVE-POINT MOVEMENT IN TRADE SPEND IS NOT A VARIANCE — IT IS THE DIFFERENCE BETWEEN THE PLAN AND INSOLVENCY.** On pricing: **INDIAN FMCG IS ANCHORED TO PRICE POINTS RATHER THAN PRICES — A ₹10 PACK CANNOT BECOME AN ₹11 PACK; IT CAN ONLY BECOME A SMALLER ₹10 PACK — SO COST INFLATION IS ABSORBED THROUGH GRAMMAGE: THE PACK LOOKS IDENTICAL, THE PRICE IS UNCHANGED, AND THERE IS FIFTEEN PERCENT LESS INSIDE IT; LEGAL, UNIVERSAL, AND DISCLOSED ONLY IN THE SMALL PRINT OF A NET-QUANTITY DECLARATION ALMOST NOBODY READS. IT IS ALSO THE PRACTICE THAT QUIETLY ERODES BRAND TRUST OVER YEARS, BECAUSE CONSUMERS DO EVENTUALLY NOTICE — NOT BY READING THE PACK BUT BY NOTICING IT DOES NOT LAST AS LONG — AND WHAT THEY CONCLUDE IS NOT "INPUT COSTS ROSE" BUT "THIS BRAND HAS BECOME WORSE"** → front-of-pack disclosure of any reduction (undisclosed reductions NIL), at a volume cost, **ON THE VIEW THAT A CONSUMER WHO WAS TOLD WILL FORGIVE A SMALLER PACK WHILE ONE WHO WORKS IT OUT FOR THEMSELVES WILL NOT.**
- Economics & cash — **THE TWO LOSS-MAKING YEARS ARE THE PLAN'S MOST HONEST FEATURE: A BRAND THAT SHOWS A PROFIT IN YEAR 1 HAS NOT BUILT DISTRIBUTION — IT HAS EITHER UNDERSPENT ON TRADE AND ADVERTISING, OR IT IS BOOKING PRIMARY DISPATCHES THAT WILL RETURN AS EXPIRY** (−10.5% → −2.3% → +3.3%); returns/damages/expiry 4.1%→3.1%→2.2% of gross sales, **BOUGHT WITH FIFO DISCIPLINE AND PLANNED**

**LIQUIDATION RATHER THAN WITH BETTER PRODUCTS**; SKU discipline with **DELISTING AS A NORMAL ACT RATHER THAN AN ADMISSION OF FAILURE, BECAUSE A BRAND THAT NEVER DELISTS IS CARRYING DEAD INVENTORY AS AN ACT OF HOPE** (survival at 12 months 34%→52%; delistings 3→11 rising as the discipline works); plant at 41% utilisation in Y1 and **NOT THE CONSTRAINT ON ANYTHING — AN UNDERLOADED PLANT IS A FIXED COST PRETENDING TO BE A STRATEGY.** Cash: **THE BRAND BUYS RAW MATERIAL AND PACKAGING, CONVERTS IT, HOLDS FINISHED GOODS, DISPATCHES ON 30-45 DAYS' CREDIT, AND THEN WAITS WHILE THE DISTRIBUTOR HOLDS SIXTY-TWO DAYS OF STOCK BEFORE SELLING MOST OF IT ONWARD — ADD THE ACCRUED-BUT-UNSETTLED SCHEME LIABILITY AND THE CYCLE FROM RAW MATERIAL PURCHASED TO MONEY BANKED RUNS TO FOUR MONTHS OR MORE, ON A BUSINESS MAKING A LOSS; AND EVERY ADDITIONAL DISTRIBUTOR MAKES IT WORSE BEFORE IT MAKES IT BETTER, BECAUSE AN OPENING ORDER IS STOCK LEAVING THE BUILDING AGAINST A PROMISE AND A BRAND EXPANDING RAPIDLY IS CONSUMING CASH EXACTLY IN PROPORTION TO ITS SUCCESS** → channel inventory down 62→34 days (**WHICH RELEASES MORE CASH THAN ANY COLLECTION EFFORT**), WC sized against the FULL cycle rather than receivables alone, scheme liabilities accrued and settled rather than left as an unquantified overhang, and **EXPANSION PACED TO CASH RATHER THAN TO AMBITION, BECAUSE THE FASTEST WAY TO FAIL IN THIS CATEGORY IS TO SUCCEED IN MORE TOWNS THAN YOU CAN FUND.** Regulatory: FSSAI licensing/approval and labelling; **LEGAL METROLOGY DECLARATIONS VERIFIED BEFORE ARTWORK GOES TO PRINT, BECAUSE A LABELLING ERROR IS A FULL PRINT RUN AND A RECALL RISK**; EPR under plastic-waste rules as **A REAL AND RISING COST THAT BELONGS IN THE PLAN RATHER THAN IN A LATER SURPRISE**; ASCI claim substantiation; shelf-life as safety duty, operating cost and returns liability simultaneously; GST with the distributor input-credit chain. Lender note: **THIS PLAN ASKS A LENDER TO FUND TWO LOSS-MAKING YEARS, AND THAT IS THE SHAPE OF THE CATEGORY RATHER THAN A WEAKNESS IN THE PLAN — AN FMCG BRAND REACHING PROFITABILITY IN YEAR 1 HAS ALMOST CERTAINLY UNDER-INVESTED IN DISTRIBUTION, AND ITS YEAR-3 POSITION WILL BE WORSE FOR IT**; **THE WC FACILITY MUST BE SIZED AGAINST THE FULL CASH CYCLE, BECAUSE ONE SIZED ON RECEIVABLES ALONE WILL FUND ABOUT HALF OF WHAT THE BUSINESS ACTUALLY CONSUMES**; **ASK FOR THE SECONDARY-TO-PRIMARY RATIO — A BRAND THAT CANNOT PRODUCE IT IS REPORTING DISPATCHES AS SALES, AND THERE IS NO WAY FROM THE OUTSIDE TO TELL A BRAND THAT IS GROWING FROM ONE THAT IS FILLING ITS DISTRIBUTORS' GODOWNS; THE RATIO IS THE ONLY DIAGNOSTIC AND ITS ABSENCE IS ITSELF THE FINDING**; and **TREAT TRADE SPEND AS A COVENANT RATHER THAN A LINE ITEM, BECAUSE AT A 3.3% NET MARGIN A BRAND THAT LETS IT DRIFT FROM 16% BACK TO 21% OF GROSS SALES HAS LOST MORE THAN ITS ENTIRE PROFIT — AND IT CAN DO SO IN A SINGLE AGGRESSIVE QUARTER WITHOUT ANYBODY NOTICING UNTIL THE CREDIT NOTES ARE ISSUED.** ₹1.64cr, 34→142 distributors, 3,200→16,400 outlets, 61→147 staff, gross sales 5.32→11.60cr, net sales 4.20→9.74cr, Y1 −₹44L → Y3 ₹32L. Figures illustrative, exclude GST.

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